

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1989

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PRIVATE BANKING INDUSTRY

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Will the Minister of FINANCE be pleased to state:

(a) whether the government have asked the private banking industry to take on the social and rural responsibilities in their banking operation alongwith public banking system operating in social cooperative and rural sectors;

(b) if so, the details thereof alongwith their modus operandi; and (

(c) the details of private banks operational in various states and their sphere of activities in which they have been allowed to operate?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b) & (c): According to the guidelines issued by the Reserve Bank of India (RBI) the private sector banks are also required to observe priority sector lending target of 40 per cent of net bank credit, of which 18 percent has been stipulated for agricultural sector and 10 per cent for the weaker sections. These guidelines also stipulate that the new banks in the private sector will also be required to open 25 per cent of their branches in rural areas and semi-urban areas. The private sector banks are, by and large, able to achieve their priority sector lending target, though there are some shortfalls in lending to agricultural and weaker sections. The private sector banks, like the public sector banks, also provide loans to eligible borrowers under various Government sponsored schemes such as Prime Minister Rozgar Yojana (PMRY), Swarnajayanti Gram Swarozgar Yojana (SGSY) and Swarna Jayanti Sahari Rozgar Yojana (SJSRY) as well as the Differential Rates of Interest Scheme (DRIS). The local area banks in the private sector have also been established with a view to providing institutional mechanism for promoting rural saving as well as the provision of credit for viable activities in the rural areas. These banks extend credit to agriculture and allied activities, SSI, agro-industrial activities, trading activities and non-farm sector. The local area banks are also required to observe priority sector lending targets at 40 per cent of their advances, besides lending at least 10 per cent of their advances to the weaker sections.

The names of the private sector banks and local area banks operational in various States is given in the Annexure.